



November 7, 2014

Processing Information

No New Single Family Housing Guaranteed Loan Applications Accepted From Close of Business Nov. 21 Through Start of Business Dec. 1

To implement regulation-related conversion changes that will streamline processing and save lenders time and money, USDA Rural Development will not accept new Single Family Housing Guaranteed loan applications from the close of business on November 21, 2014, through the start of business on December 1, 2014.

To prepare for the December 1st conversion to the new 7 CFR 3555 regulation and to avoid greater disruption of our lenders' application submission processes, we must eliminate as much of the conditional commitment backlog nationwide as possible. In some states the backlog is substantial and an undertaking of this magnitude requires that we assign all available staff resources to the project. We will focus on eliminating the backlog during the week applications are not accepted.

We need your help!

USDA Rural Development field offices have seen a large increase in the number of applications with missing information, missing documents, miscalculations, oversights related to Guaranteed Underwriting System (GUS) findings, and the like. We ask that you take additional time to review all application packages prior to submission. As we prepare for conversion, our staff will not be able to devote additional time to incomplete applications, and will have to return them to the submitting lenders.

Once the conversion is completed, the turnaround time you can expect for loan approvals will be temporarily reduced. In addition, since the conversion happens to coincide with the automation of the loan note guarantee process, the electronic issuance of loan note guarantees will be much faster and simpler for those lenders that have signed up for the automated loan closing.

USDA Rural Development's national office has chosen this course of action with careful consideration of the consequences for our lenders and borrowers, and we do regret any inconvenience it may cause you. Following are Q&As asked by lenders which may be helpful to others:

1. Can lenders enter applications into the Guaranteed Underwriting System (GUS) after the November 21st cut-off date?

Yes. Lenders who use GUS may continue to enter new applications into the system, as you do today, **however, they will not be permitted to perform a final submission** of the application to USDA until December 1.

2. Will USDA accept non-GUS, manually underwritten files that lenders submit?

No. Manually submitted files will be returned to the lender. These files would then need to be re-underwritten per the new 7 CFR 3555 regulation.

3. Why have we chosen to suspend processing in this way? Were there no other options?

The suspension option is considered the least disruptive for both lenders and borrowers because of two limiting factors. We are not able to process applications under two regulations simultaneously, and applications underwritten using the current 1980-D regulation cannot be approved under the new 3555 regulation.

Consequently, any backlogged applications in our processing queue that are not processed by December 1st would have to be returned to lenders and underwritten a second time. The borrowers would have to sign new documents. These applications would then be resubmitted to Rural Development and placed at the back of the processing queue as per the regulation requirement that applications be processed in the order received.

The option we have chosen minimizes the need to resubmit loan applications. The lender holds the loan until December 1 and then submits for RD review and approval based on the 7 CFR 3555 regulation. One of the clear advantages to this approach is that the issuance of the conditional commitment will not have to be delayed by a large number of other applications already in the queue. By reducing the backlog we significantly accelerate the application turnaround.

4. Will states that have no conditional commitment backlogs currently be able to continue processing loan applications?

No. The elimination of the backlog nationwide requires that Rural Development distribute an unprecedented amount of application review and approval work among the State offices. States fully current in the issuance of conditional commitments will be helping other states resolve their backlogs.

5. Can we guarantee lenders that the entire conditional commitment backlog in every state will be eliminated?

No. This is our goal and we believe it is attainable if states current in their processing assist those that are backlogged as planned. We have already made significant strides toward backlog reduction in several states, and we can assure our lenders that all state backlogs will be dramatically improved if not entirely resolved.

6. If the conditional commitment backlog is not entirely resolved, will lenders have to underwrite applications not processed by December 1st a second time?

Yes, but we will do everything possible to mitigate that inconvenience and avoid such an outcome.

7. How do lenders ensure that they receive the time and labor saving benefits of the automated loan note guarantee issuance which is scheduled to launch on the December 1st regulation conversion date?

Lenders must be signed up and authorized to participate in the automated loan closing process. The sign up for authorization is simple and the benefits are tremendous. We encourage you to visit <https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do> to find out how to complete this process.

We greatly appreciate your support as we begin this conversion. We believe the benefits you receive will far outweigh these early inconveniences, but we are aware that this it complicates your processing and we will do everything we can to ease the transition.

Please contact LindaKay Rhoades at Linda.Rhoades@ia.usda.gov or (515) 284-4723 with any questions.